

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Annual Financial Statements
December 31, 2005 and 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/2/06

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Annual Financial Statements
December 31, 2005 and 2004
With Supplemental Information Schedules**

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William R. Durden

Certified Public Accountant

Limited Liability Company

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MEMBER
A.I.C.P.A.

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L.C.P.A.

Board of Commissioners
Bogue Lusa Waterworks District
Washington Parish Council
Varnado, Louisiana

I have reviewed the accompanying financial statements of the business-type activities of the Bogue Lusa Waterworks District, a component unit of the Washington Parish Government, as of and for the fiscal year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and the accompanying management's discussion and analysis, and supplementary information schedules on pages 3 through 10 and 29 through 33 respectively, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the board of commissioners of the Bogue Lusa Waterworks District.

A review consists principally of inquiries of the District's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis, on page 3 through 10, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board.

(continued)

William R. Durden

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MEMBER
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MEMBER
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My review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the management's discussion and analysis, and accompanying supplementary schedules, pages 3 through 10 and 29 through 33 are presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made to them.

In accordance with the *Louisiana Audit Guide* and the provisions of state law, I have issued a report, dated June 22, 2006, on the results of my agreed-upon procedures.


William R Durden CPA, LLC

June 22, 2006

Management's Discussion and Analysis

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

Introduction

Bogue Lusa Water Works District is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets for the year were \$1,735,463 at December 31, 2005, and exceeded liabilities in the amount of \$712,971 (i.e., net assets). Of the total net assets, \$198,070 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, or restricted for capital activity and debt service.
- Total long-term debt decreased from \$1,029,107 at December 31, 2004, to \$978,468 at December 31, 2005. The decrease of \$50,639 is due to the payment of principal on outstanding bonds.
- User fee revenues (water sales) for the fiscal year ending December 31, 2005 remained relatively constant increasing to \$396,047 from the total user fees of \$337,507 for the fiscal year ending December 31, 2004. One of the reasons for the increase in total water sales was a rate increase implemented January 1, 2005.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than interest income and interest expense, increased by \$49,988 as compared to the prior fiscal year, totaling \$352,470 for the fiscal year ended December 31, 2005.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Bogue Lusa Water Works District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies; significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Bogue Lusa Water Works District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of net Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

Condensed Statement of Net Assets

	December 31, 2005	December 31, 2004	Dollar Change	Percent Change
Current and Other Assets	\$ 538,480	\$ 472,345	\$ 66,135	14.00%
Capital Assets	1,196,983	1,274,984	(78,001)	-6.12%
Total Assets	<u>1,735,463</u>	<u>1,747,329</u>	<u>(11,866)</u>	-0.68%
Long-Term Debt Outstanding	978,468	1,029,107	(50,639)	-4.92%
Other Liabilities	44,024	31,120	12,904	41.47%
Total Liabilities	<u>1,022,492</u>	<u>1,060,227</u>	<u>(37,735)</u>	-3.56%
Invested in Capital Assets, Net of Related Debt	218,515	245,877	(27,362)	-11.13%
Restricted for Capital Activity and Debt Service	296,386	280,860	15,526	5.53%
Unrestricted	198,070	160,365	37,705	23.51%
Total Net Assets	<u>\$ 712,971</u>	<u>\$ 687,102</u>	<u>\$ 25,869</u>	3.76%

The major components of change for "Current and Other Assets" are

Capital Assets decreased by \$78,001 , with the additions consisting of \$15,988 of improvements recorded for initial costs on the Isabel Addition and \$514 for office equipment less depreciation recorded on capital assets of \$94,503 for the fiscal year ending December 31, 2005.

Long-term liabilities decreased by \$50,639 and consisted of a \$53,030 decrease in the long-term portion of bonds outstanding at fiscal year end, less an increase of \$2,391 in the short-term portion of revenue bonds outstanding

Total Net Assets (total assets less total liabilities) increased by \$25,869 for the fiscal year ending December 31, 2005.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended December 31, 2005	Year Ended December 31, 2004	Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 407,782	\$ 351,613	\$ 56,169	15.97%
Non-operating Revenues	44,844	10,422	34,422	330.28%
Total Revenues	452,626	362,035	90,591	25.02%
Expenses:				
Depreciation Expense	94,503	91,619	2,884	3.15%
Other Operating Expense	257,967	210,863	47,104	22.34%
Non-operating Expense	74,287	38,938	35,349	90.78%
Total Expenses	426,757	341,420	85,337	24.99%
Income (Loss) Before Contributions	25,869	20,615	5,254	
Capital Contributions	-	-	-	
Changes in Net Assets	25,869	20,615	5,254	
Beginning Net Assets	687,102	666,487	20,615	
Ending Net Assets	<u>\$ 712,971</u>	<u>\$ 687,102</u>	<u>\$ 25,869</u>	

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how Bogue Lusa Water Works District is being conservatively managed. Total Operating Revenues (including water sales and revenues related to providing water and related services to customers) exhibited an upward growth in revenues with a \$56,169 increase from the prior fiscal year due primarily to an increase in water rates. Non-operating Revenues increased mainly because of \$32,778 received in FEMA reimbursements.

Total expenses increased by \$85,337, with the major increase consisting of \$47,104 in the Other Operating Expense category and \$35,349 in the Non-operating Expense category. Major increases for Other Operating Expenses were a \$10,141 increase for contract labor, a \$12,384 increase for maintenance supplies, a \$9,485 increase for utilities, a \$4,474 increase for truck expenses, and a \$6,120 increase for repairs and maintenance. The primary reason for the increase in Non-operating Expenses was due to costs related to hurricane Katrina.

The District showed a profit of \$25,869 for the fiscal year ended December 31, 2005, improving from the reported profit of \$20,615 for fiscal year ended December 31, 2004.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

Budgetary Highlights

Bogue Lusa Water Works District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year Ended December 31, 2005

	Budget Year Ended December 31, 2005	Actual Year Ended December 31, 2005	Favorable (Unfavorable) Variance
Revenues:			
Operating	\$ 406,160	\$ 407,782	\$ 1,622
Non-operating	102,800	44,844	(57,956)
Total Revenues	508,960	452,626	(56,334)
Operating Expenses:			
Accounting	15,200	13,775	1,425
Board of Directors	1,900	1,910	(10)
Contract Labor	65,200	64,182	1,018
Contract Meter Readers	13,000	13,012	(12)
Contract Operations & Maintenance	26,100	28,982	(2,882)
Depreciation Expense	94,000	94,503	(503)
Insurance	21,700	17,588	4,112
Maintenance Supplies	29,800	30,383	(583)
Office Expense	6,100	5,697	403
Repairs & Maintenance	15,900	16,305	(405)
Utilities	35,300	45,031	(9,731)
Other Operating Expenses	23,610	21,102	2,508
Total Operating Expenses	347,810	352,470	(4,660)
Non-Operating Expenses:			
Bad Debt Expense	-	-	-
Hurricane Costs	28,500	23,730	4,770
Interest Expense	63,600	50,557	13,043
Total Non-operating Exp.	92,100	74,287	17,813
Total Expenses	439,910	426,757	13,153
Income (Loss) Before Capital Contributions & Prior Period Adjustment	\$ 69,050	\$ 25,869	\$ (43,181)

**Bogue Lusa Water Works District
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**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

The variation in Non-operating Revenues was due to anticipated FEMA reimbursements not received at fiscal year end. There was no significant variation between the final budget-to-actual for Operating Expenses. The variation, as noted, for interest expense occurred since bond installment payments were applied to the principal balance of Loan # 91-01 for the majority of the fiscal year ending December 31, 2005.

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	December 31, 2005	December 31, 2004	Increase (Decrease)
Customers:			
Residential	1,351	1,352	(1)
Commercial	20	23	(3)
School	2	2	-
Total	<u>1,373</u>	<u>1,377</u>	<u>(4)</u>

Customers decreased by four from the prior fiscal year.

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2005, and 2004.

	Year Ended December 31, 2005	Year Ended December 31, 2004	Increase (Decrease)
0 - 30 Days Past Due	\$ 30,867	\$ 17,363	\$ 13,504
31 - 60 Days Past Due	5,132	4,851	281
61 - 90 Days Past Due	1,571	356	1,215
Over 90 Days Past Due	1,259	-	1,259
Total Accounts Receivable for Water	<u>\$ 38,829</u>	<u>\$ 22,570</u>	<u>\$ 16,259</u>

The total accounts receivable on the financial statements totaled \$37,129 consisting of total receivables of \$38,829 less an allowance of \$1,700 for uncollectible accounts.

Total receivables for the water district increased by \$16,259 from the period of December 31, 2004, to December 31, 2005, with the majority increase falling within the 0 to 30 days past due category.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

Capital Assets

At the end of the fiscal year ending December 31, 2005, Bogue Lusa Water Works District had \$1,196,983 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, the District's investment for the office building and storage for water system equipment and supplies, land owned for the office building site and for water well locations, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

	December 31, 2005	December 31, 2004	Dollar Change	Percent Change
Land	\$ 38,025	\$ 38,025	\$ -	-
Office Equipment	55,044	54,530	514	0.94%
Office Furniture	1,850	1,850	-	-
Buildings	214,187	214,187	-	-
Water Distribution System	2,426,539	2,410,551	15,988	0.66%
Construction in Progress	-	-	-	-
Subtotal	2,735,645	2,719,143	16,502	0.61%
Less: Accumulated Depreciation	(1,538,662)	(1,444,159)	(94,503)	6.54%
Net Capital Assets	<u>\$ 1,196,983</u>	<u>\$ 1,274,984</u>	<u>\$ (78,001)</u>	-6.12%

During the fiscal year ending December 31, 2005, water system improvements for the Isabel Addition of \$15,988 were incurred by the District. An additional \$514 was incurred in costs for office equipment.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005**

Long-Term Debt Activity

The primary source of long-term financing for Bogue Lusa Water Works District's water system improvements is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). Interim financing, pending completion of construction, is generally financed by private financial institutions or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2005, range from 4.75% to 5.625%, with initial payment terms for bonds generally at 40 years.

Bonds financed for Bogue Lusa Water Works District do not generally require a specific debt to net income or net cash flow ratios, but bond restrictions do state that the District must set its water rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the District. One measure of the operating performance of the District is the Debt to Net Assets ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and management should analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. As indicated, the ratios are only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the District.

	December 31, 2005	December 31, 2004
Total Long-Term Debt	\$ 978,468	\$ 1,029,107
Total Net Assets	\$ 712,971	\$ 687,102
 Total Long-Term Debt to Net Assets Ratio	 1.37	 1.50

Future Economic Plans

The Bogue Lusa Water Works District's management approach is conservative. The Board of Commissioners actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. Because of operating losses in the prior fiscal year and the need to maintain reserves for system repairs and expansions, the District implemented a rate increase, to be effective January 1, 2005. During the fiscal year ending December 31, 2005, the District also finalized construction of a new office to better serve customers of the District. The office is located at 101 Ralph Drive, Bogalusa, Louisiana.

Financial Statements

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement A

**Statement of Net Assets
December 31,**

Assets	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash - Operating	\$ 161,841	\$ 128,423
Accounts Receivable	37,129	22,570
Accrued Billings	16,490	15,943
Prepaid Insurance	14,034	13,549
Total Current Assets	<u>229,494</u>	<u>180,485</u>
Restricted Assets:		
Cash - Customers' Deposits	5,752	5,600
Cash - RUS Bond Reserve Fund	119,982	118,448
Cash - RUS Depreciation & Contingency Fund	183,252	167,812
Total Restricted Assets	<u>308,986</u>	<u>291,860</u>
Capital Assets:		
Land	38,025	38,025
Office Equipment	55,044	54,530
Office Furniture	1,850	1,850
Buildings	214,187	214,187
Water Distribution System	2,426,539	2,410,551
Total Capital Assets	<u>2,735,645</u>	<u>2,719,143</u>
Less: Accumulated Depreciation	<u>-1,538,662</u>	<u>-1,444,159</u>
Net Capital Assets	<u>1,196,983</u>	<u>1,274,984</u>
Total Assets	<u>\$ 1,735,463</u>	<u>\$ 1,747,329</u>

(Continued)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement A

**Statement of Net Assets
December 31,**

Liabilities and Net Assets	<u>2005</u>	<u>2004</u>
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 7,955	\$ 3,887
Accrued Audit Fee	3,400	3,400
Sales Tax Payable	120	85
Due to Other Governments	17,773	10,188
Accrued RUS Bond Interest	2,176	2,560
Current RUS Bond Payable	57,429	55,038
Total Current Liabilities (Payable From Current Assets)	<u>88,853</u>	<u>75,158</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits Payable	12,600	11,000
Total Current Liabilities (Payable From Restricted Assets)	<u>12,600</u>	<u>11,000</u>
Long-Term Liabilities:		
1976 Water Revenue Bonds	162,296	188,606
1977 Water Revenue Bonds	148,149	165,756
1993 Water Revenue Bonds	243,946	248,336
1998 Water Revenue Refunding Bonds	366,648	371,371
Total Long-Term Liabilities	<u>921,039</u>	<u>974,069</u>
Total Liabilities	<u>1,022,492</u>	<u>1,060,227</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	218,515	245,877
Restricted for Capital Activity and Debt Service	296,386	280,860
Unrestricted	198,070	160,365
Total Net Assets	<u>\$ 712,971</u>	<u>\$ 687,102</u>

(Concluded)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement B

**Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31,**

Operating Revenues	2005	2004
Water Sales	\$ 396,047	\$ 337,507
Installations	5,665	6,750
Penalties	3,553	3,832
Reconnect Fees	2,500	3,060
Other	17	464
Total Operating Revenues	407,782	351,613
 Operating Expenses		
Accounting Fees	13,775	13,250
Advertising	262	184
Bad Debt Expense	-	1,706
Board of Directors Compensation	1,910	2,000
Contract Labor	64,182	54,041
Contract Meter Readers	13,012	12,529
Contract Operations & Maintenance	28,982	26,544
Conventions & Seminars	414	700
Depreciation Expense	94,503	91,619
Insurance	17,588	18,167
Maintenance Supplies	30,383	17,999
Membership Dues	200	200
Mowing	2,650	3,303
Office Expense	5,697	5,195
Permits	4,156	455
Professional Services	200	-
Repairs and Maintenance	16,305	10,185
Telephone	2,530	2,428
Travel	1,151	1,289
Truck Expense	9,491	5,017
Taxes & Licenses	-	94

(Continued)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement B

**Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31,**

	2,005	2,004
Utilities	\$ 45,031	\$ 35,546
Miscellaneous Expense	48	31
Total Operating Expenses	<u>352,470</u>	<u>302,482</u>
Operating Income	<u>55,312</u>	<u>49,131</u>
Nonoperating Revenues (Expenses)		
Interest Income	7,550	4,422
FEMA Reimbursements	32,778	-
Grant Income	-	6,000
Other Income	4,516	-
Bond Interest Expense	-50,557	-38,938
Hurricane Costs	-23,730	-
Total Nonoperating Revenues (Expenses)	<u>-29,443</u>	<u>-28,516</u>
Income (Loss) Before Contributions	25,869	20,615
Capital Contributions	-	-
Change in Net Assets	<u>25,869</u>	<u>20,615</u>
Net Assets, Beginning of Year	687,102	666,487
Net Assets, End of Year	<u>\$ 712,971</u>	<u>\$ 687,102</u>

(Concluded)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement C

**Statement of Cash Flows
Years Ended December 31,**

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 392,679	\$ 357,374
Received (Paid) for Meter Deposit Fees	1,600	-2,800
Received (Paid) to Other Governments	7,585	3,211
Paid for Operations	-254,351	-211,886
Net Cash Flows From Operating Activities	<u>147,513</u>	<u>145,899</u>
Cash Flows From Noncapital Financing Activities		
Miscellaneous Income	4,516	-
Grant Income	-	6,000
FEMA Reimbursements	32,778	-
Hurricane Costs	-23,730	-
Net Cash Flows From Noncapital Financing Activities	<u>13,564</u>	<u>6,000</u>
Cash Flows From Capital and Related Financing Activities		
Paid for Capital Acquisitions	-16,502	-185,094
Principal Payments - Long-Term Debt	-50,640	-62,785
Interest Payments - Long-Term Debt	-50,941	-38,938
Net Cash Flows From Capital and Related Financing Activities	<u>-118,083</u>	<u>-286,817</u>
Cash Flows From Investing Activities		
Receipt of Interest and Dividends	<u>7,550</u>	<u>4,422</u>
Net Cash Flows From Investment Activities	<u>7,550</u>	<u>4,422</u>
Net Change in Cash and Cash Equivalents	50,544	-130,496
Cash and Cash Equivalents - Beginning of Year	420,283	550,779
Cash and Cash Equivalents - End of Year	<u>\$ 470,827</u>	<u>\$ 420,283</u>

(Continued)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement C

**Statement of Cash Flows
Years Ended December 31,**

	<u>2005</u>	<u>2004</u>
Reconciliation of Cash and Equivalents to the Statement of Net Assets		
Cash	\$ 161,841	\$ 128,423
Restricted Cash	308,986	291,860
Cash and Cash Equivalents - End of Year	\$ <u>470,827</u>	\$ <u>420,283</u>
 Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating Income	\$ 55,312	\$ 49,131
Adjustments to Reconcile Operating Income to Net Cash		
Flows From Operating Activities:		
Depreciation Expense	94,503	91,619
Changes in Assets and Liabilities:		
Decrease (Increase) in Customer Receivables	-15,106	5,761
Decrease (Increase) in Due from Other Governments	-	1,132
Decrease (Increase) in Prepaid Insurance	-483	-147
Increase (Decrease) in Accounts Payable	4,068	-881
Increase (Decrease) in Sales Tax Payable	34	5
Increase (Decrease) in Due to Other Governments	7,585	2,079
Increase (Decrease) in Customer Deposits Payable	1,600	-2,800
Net Cash Flows From Operating Activities	\$ <u>147,513</u>	\$ <u>145,899</u>

(Concluded)

See accompanying notes and accountant's report.

NOTES TO FINANCIAL STATMENTS

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

Introduction

Bogue Lusa Water Works District was established July 31, 1969, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a 5-member governing board of commissioners appointed by the Washington Parish Council. The District serves 1,373 customers as of December 31, 2005. The District's water wells are located southwest of the Bogalusa city limits. The system lines run south to the St. Tammany Parish boundary and west of the Bogalusa city limits for approximately 15 miles.

Bogue Lusa Water Works District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Bogue Lusa Water Works District is considered a component unit of the Washington Parish Council.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, primarily the provision of water to rural areas of Washington Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost.
- The District has investments in one investment pool. The investment pool is LAMP, and the fair value of the position in the pool is the same as the value of the pool shares.
- There is no involuntary participation in an external investment pool.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

D. Inventories

Purchases of various operating supplies are regarded as expenses at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 -30 years
Equipment & Furniture	5 - 7 years
Water System	20 -30 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

At December 31, 2005, the District did not have employees that accumulate or vest benefits.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

I. Long-term Liabilities

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Net Assets

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

K. Use of Estimates

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

2. Cash and Cash Equivalents

At December 31, 2005, and 2004, the District had cash and cash equivalents (book balances) totaling as follows:

	December 31, 2005	December 31, 2004
Demand Deposits	\$ 239,443	\$ 194,209
Time Deposits	44,372	44,692
LAMP	187,012	181,382
Total Cash and Cash Equivalents	<u>\$ 470,827</u>	<u>\$ 420,283</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2005, the District had \$287,023 in deposits (collected bank balances), consisting of \$242,651 in demand deposits and \$44,372 in time and savings deposits. The demand deposits totaling \$242,651 are secured from risk by \$101,359 of federal deposit insurance (\$100,000 FDIC coverage at one bank plus \$1,359 FDIC coverage at a second bank), and \$141,292 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3). The time & savings accounts totaling \$44,372 are secured from risk by \$44,372 of federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 2005, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Therefore, LAMP is considered a cash equivalent.

4. Receivables

The following is a summary of receivables at December 31, 2005, and 2004:

	December 31, 2005	December 31, 2004
Current	\$ 30,867	\$ 17,363
31 - 60 Past Due	5,132	4,851
61 - 90 Past Due	1,571	356
Over 90 Past Due	1,259	-
Total	38,829	22,570
Less: Allowance for Uncollectible Accounts	(1,700)	-
Net Accounts Receivable	<u>\$ 37,129</u>	<u>\$ 22,570</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2005, and 2004 accrued billings amounts were \$16,490, and \$15,943, respectively.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

5. Restricted Assets

Restricted assets were applicable to the following at December 31, 2005, and 2004:

	December 31, 2005	December 31, 2004
Cash-Customers' Deposits	\$ 5,752	\$ 5,600
Cash-RUS Bond Reserve	119,982	118,448
Cash-RUS Depreciation and Contingency	183,252	167,812
Total Restricted Assets	<u>\$ 308,986</u>	<u>\$ 291,860</u>

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2005 is as follows:

	Balance December 31, 2004	Additions and Reclassification	Deletions and Reclassification	Balance December 31, 2005
Land	\$ 38,025	\$ -	\$ -	\$ 38,025
Office Equipment	54,530	514	-	55,044
Office Furniture	1,850	-	-	1,850
Buildings	214,187	-	-	214,187
Water Distributions System	2,410,551	15,988	-	2,426,539
Total Capital Assets in Service	2,719,143	16,502	-	2,735,645
Construction in Progress	-	-	-	-
Total Capital Assets	2,719,143	16,502	-	2,735,645
Less: Accumulated Depreciation	(1,444,159)	(94,503)	-	(1,538,662)
Net Capital Assets	<u>\$ 1,274,984</u>	<u>\$ (78,001)</u>	<u>\$ -</u>	<u>\$ 1,196,983</u>

During the fiscal year ending December 31, 2005, water system improvements of \$15,988 were incurred by the District. An additional \$514 was incurred in costs for office equipment.

Equipment, furniture, and fixtures are depreciated using the useful lives of 5 to 10 years, and the water distribution system uses a useful life of 20 to 30 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2005, totaled \$94,503.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

7. Long-Term Debt

The following is a summary of the long-term liability transactions during the fiscal year ending December 31, 2005:

Description	Long-Term Liabilities Beginning of Year	Additions	Deletions	Long-Term Liabilities End of Year	Due Within One Year
1976 Water Revenue Bonds	\$ 213,880	\$ -	\$ (25,130)	\$ 188,750	\$ 26,454
1977 Water Revenue Bonds	183,739	-	(16,817)	166,922	18,772
1993 Water Revenue	253,882	-	(4,170)	249,712	5,766
1998 Water Revenue Bonds	377,606	-	(4,522)	373,084	6,437
Total	<u>\$ 1,029,107</u>	<u>\$ -</u>	<u>\$ (50,639)</u>	<u>\$ 978,468</u>	<u>\$ 57,429</u>

Bonds Payable at December 31, 2005 and 2004 comprise the following issues:

	December 31, 2005	December 31, 2004
Water System Revenue Bonds - RUS Bonds 91-01: \$540,000 revenue bonds sold to Rural Utility Service, dated 04/20/76, due in monthly installments of \$2,876.00 through 04/20/16; interest at	\$ 188,750	\$ 213,880
Water System Revenue Bonds - RUS Bonds 91-03: \$420,000 revenue bonds sold to Rural Utility Service, dated 09/28/77, due in monthly installments of \$2,167.00 through 09/28/17; interest at	166,922	183,739
Water System Revenue Bonds - RUS Bonds 91-05: \$290,000 revenue bonds sold to Rural Utility Service, dated 03/08/93, due in monthly installments of \$1,542.00 through 04/08/33; interest at	249,712	253,882
Water System Revenue Bonds - RUS Bonds 91-06: \$400,000 revenue bonds sold to Rural Utility Service, dated 12/09/98, due in monthly installments of \$1,880.00 through 12/09/38; interest at 4.75%	373,084	377,606
Total Bonds Payable	<u>\$ 978,468</u>	<u>\$ 1,029,107</u>

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

The annual requirements to amortize all debt outstanding as of December 31, 2005, including interest payments of \$933,959 are as follows:

Year Ending December 31,	1976 Water Revenue Bonds \$540,000	1977 Water Revenue Bonds \$420,000	1993 Water Revenue Bonds \$290,000	1998 Water Revenue Bonds \$400,000	Total
2006	\$ 34,512	\$ 26,004	\$ 18,504	\$ 22,560	\$ 101,580
2007	34,512	26,004	18,504	22,560	101,580
2008	34,512	26,004	18,504	22,560	101,580
2009	34,512	26,004	18,504	22,560	101,580
2010	34,512	26,004	18,504	22,560	101,580
2011-2015	172,560	130,020	92,520	112,800	507,900
2016-2020	11,504	45,507	92,520	112,800	262,331
2021-2025	-	-	92,520	112,800	205,320
2026-2030	-	-	92,520	112,800	205,320
2031-2035	-	-	43,176	112,800	155,976
2036-2038	-	-	-	67,680	67,680
Totals	<u>\$ 356,624</u>	<u>\$ 305,547</u>	<u>\$ 505,776</u>	<u>\$ 744,480</u>	<u>\$ 1,912,427</u>

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

8. Flow of Funds, Restrictions on Use

The voters of the Bogue Lusa Waterworks District approved the issuance of \$540,000 and \$420,000 of the utility revenue bonds in elections held November 30, 1976, and March 5, 1977. The governing authority of the District adopted a resolution on February 25, 1976, authorizing issuance of \$540,000 of the utility revenue bonds - 1976 Series.

On April 20, 1976, the District sold the \$540,000 authorized bonds to RUS. The governing authority of the District adopted a resolution on July 26, 1977, authorizing issuance of \$420,000 of the utility revenue bonds - 1977 Series. On September 28, 1977, the District sold the \$420,000 authorized bonds to RUS, also. Both bond issues were issued for forty (40) years payable with interest at the rate of five percent (5%) per annum. The bonds and any installment may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds were restricted to use for construction and improvements to the District's water system and are subject to the provisions of the above adopted resolutions. The 1976 issue of \$540,000 was used to construct Phase I of the District's waterworks system. The 1977 issue of \$420,000 was used to construct Phase II.

On September 30, 1982, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$350,000 of revenue bonds for the purpose of extending and improving the existing waterworks system. On June 27, 1983, \$300,000 of the bonds was sold to RUS under the same basic terms and conditions mentioned above for the 1976 and 1977 issues. The bonds were issued at par for 40 years with interest at 11.625%. During the year ended December 31, 1989, RUS reduced the interest rate of the bonds from 11.625% to 9.125%. The reduced rate was amortized back to the inception of the bonds. The loan adjustment applied \$14,903 more to principal reduction in the year 1989 than was actually paid. Total payments for 1989 on this 1983 issue were \$35,484. As a result of this rate reduction, the principal balance was reduced \$50,387. Interest expense was reduced by \$14,903 in the year 1989. On March 23, 1998, the governing authority paid off the remaining balance of this loan.

On July 9, 1992, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$290,000 of revenue bonds for the purpose of extending and improving the existing water works system. On March 8, 1993, \$290,000 of the bonds were sold to RUS under the same basic terms and conditions as the original 1976 and 1978 issues. The bonds were issued at par for 40 years with interest at 5.625%.

On October 8, 1998, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$400,000 of revenue bonds for the purpose of extending and improving the existing water works system. On December 9, 1998, \$400,000 of the bonds were sold to RUS under the same basic terms and conditions as the original 1976 and 1978 issues. The bonds were issued at par for 40 years with interest at 4.75%.

Under the terms of the bond proceeds to the District, the bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the combined water system of the District after provision has been made for payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

The District is to maintain its water rates at minimum amounts and increase these rates as necessary in accordance with its loan agreements with the USDA Rural Utility Service. Each month there will be set aside into a fund called "Bond and Interest Sinking (Redemption) Fund" a sum equal to one-twelfth (1/12) of the interest due on the next interest payment due and, in addition, a sum equal to one-twelfth (1/12) of the next principal payment due, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. Alternately, RUS has set up a payment schedule whereby the District can make payments directly to its office. This eliminates the need of the "Bond and Interest Sinking Fund".

There shall also be set aside into a "Utility System Revenue Bond Reserve Fund" a sum equal to five percent (5%) of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. After the Bond Reserve Fund is fully funded, the required monthly deposit equal to 5% of the monthly bond payment, is to be deposited into the Depreciation and Contingency Fund. As of December 31, 2005, the District maintained a balance of \$119,982, exceeding the required deposit for the Bond Reserve Fund. The current maximum deposit requirement, equal to the highest annual debt service in any future year, totals \$101,580. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default.

The monthly deposit requirement for the "Depreciation and Contingency Fund" is equal to 5% of the monthly bond payment and is to continue for the term of the bonds. In addition, at the point that the "Utility System Revenue Bond Reserve Fund" is fully funded, in an amount equal to the highest annual debt service payment in any future year, the required monthly "Utility System Revenue Bond Reserve Fund Payment" is to be made to the Depreciation and Contingency Fund." As noted, the "Utility System Revenue Bond Reserve Fund" is fully funded, increasing the monthly deposit requirement for the Depreciation and Contingency Fund to \$847 per month, at an amount equal to 10% of the monthly bond payment.

For the fiscal year ended December 31, 2005, the "Depreciation and Contingency Fund" was fully funded with a balance maintained of \$183,252, as compared to balance of \$167,812 at December 31, 2004. Money in this fund will be used for the making of repairs or replacements to the system, for depreciable capital items, which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds.

All the revenues received in any year and not required to be paid in such year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

9. Restricted and Designated Net Assets

At December 31, 2005, Bogue Lusa Water Works District recorded \$296,386 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
For The Year Ended December 31, 2005**

10. Litigation Claims

There are no pending litigations as of December 31, 2005, although Bogue Lusa Water Works District has been involved in continuing negotiations, with the assistance of the Tulane Law Clinic, with the Calpine power generating plant. Initial negotiations involved proposed settlements by the Calpine plant to compensate the District for the possible effect on the aquifer for Calpine's water usage. The District is now in settlement negotiations with Calpine and is seeking an out-of-court settlement.

11. Intergovernmental Agreement

The Bogue Lusa Waterworks District entered into a service agreement with the Varnado Waterworks District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for the Bogue Lusa Water Works District. The fee for this service is \$1.75 per customer per month, payable monthly. The actual amount paid to Varnado Water District is adjusted at fiscal year end based on joint operating costs incurred by Varnado Waterworks District. Varnado Waterworks District will provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District will be billed monthly at two times the employees hourly rate. All materials, parts and supplies will be paid directly by the District which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the Bogue Lusa Waterworks District \$.35 cents per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement, and the actual amount paid to Varnado Water District will be adjusted at fiscal year end based on joint operating costs incurred by Varnado Waterworks District. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

12. Subsequent Events

Repairs due to Hurricane Katrina were continuing at fiscal year end. At December 31, 2005, the District had received \$32,778 in FEMA reimbursements and has incurred \$23,730 in repair and recovery costs.

SUPPLEMENTAL INFORMATION

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 1

**Budgetary Comparison Schedule
Year Ended December 31, 2005
(With Comparative Amounts for the Fiscal Year Ended December 31, 2004)**

	2005 Budget	2005 Actual	Variance- Favorable (Unfavorable)	2004 Actual
Operating Revenues				
Water Sales	\$ 393,800	\$ 396,047	\$ 2,247	\$ 337,507
Installations	5,480	5,665	185	6,750
Penalties	4,260	3,553	-707	3,832
Reconnect Fees	2,600	2,500	-100	3,060
Other	20	17	-3	464
Total Operating Revenues	<u>406,160</u>	<u>407,782</u>	<u>1,622</u>	<u>351,613</u>
Operating Expenses				
Accounting Fees	15,200	13,775	1,425	13,250
Advertising	300	262	38	184
Bad Debt Expense	-	-	-	1,706
Board of Directors	1,900	1,910	-10	2,000
Contract Labor	65,200	64,182	1,018	54,041
Contract Meter Readers	13,000	13,012	-12	12,529
Contract Operations & Maintenance	26,100	28,982	-2,882	26,544
Conventions & Seminars	500	414	86	700
Depreciation Expense	94,000	94,503	-503	91,619
Insurance	21,700	17,588	4,112	18,167
Maintenance Supplies	29,800	30,383	-583	17,999
Membership Dues	250	200	50	200
Mowing	2,800	2,650	150	3,303
Office Expense	6,100	5,697	403	5,195
Permits	5,000	4,156	844	455
Professional Services	240	200	40	-

(Continued)
See accountant's report.

Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana

Schedule 1

Budgetary Comparison Schedule
Year Ended December 31, 2005
(With Comparative Amounts for the Fiscal Year Ended December 31, 2004)

	2005 Budget	2005 Actual	Variance- Favorable (Unfavorable)	2004 Actual
Repairs and Maintenance	\$ 15,900	\$ 16,305	\$ -405	\$ 10,185
Telephone	2,600	2,530	70	2,428
Travel	1,200	1,151	49	1,289
Truck Expense	10,600	9,491	1,109	5,017
Taxes & Licenses	-	-	-	94
Utilities	35,300	45,031	-9,731	35,546
Miscellaneous Expense	120	48	72	31
Total Operating Expense	<u>347,810</u>	<u>352,470</u>	<u>-4,660</u>	<u>302,482</u>
Operating Income	<u>58,350</u>	<u>55,312</u>	<u>-3,038</u>	<u>49,131</u>
Nonoperating Revenues (Expenses)				
Interest Income	7,500	7,550	50	4,422
FEMA Cost Reimbursements	89,900	32,778	-57,122	-
Grant Income	-	-	-	6,000
Other Income	5,400	4,516	-884	-
Bond Interest Expense	-63,600	-50,557	13,043	-38,938
Hurricane Costs	-28,500	-23,730	4,770	-
Total Non-Operating Revenue (Expen	<u>10,700</u>	<u>-29,443</u>	<u>-40,143</u>	<u>-28,516</u>
Income (Loss) Before Contributions	<u>69,050</u>	<u>25,869</u>	<u>-43,181</u>	<u>20,615</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>69,050</u>	<u>25,869</u>	<u>-43,181</u>	<u>20,615</u>
Net Assets, Beginning of Year	<u>687,102</u>	<u>687,102</u>	<u>-</u>	<u>666,487</u>
Net Assets, End of Year	<u>\$ 756,152</u>	<u>\$ 712,971</u>	<u>\$ -43,181</u>	<u>\$ 687,102</u>

(Concluded)
See accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 2

**Schedule of Insurance Coverage
For The Year Ended December 31, 2005**

Insurance Company	Coverage	Coverage Amount	Period
CNA Surety Company	Fidelity Bond:		07/06/05 -
Policy #18274192	President	\$ 100,000	07/06/06
	Secretary-Treasurer	100,000	
	Office Manager	100,000	
	Clerk	25,000	
American Alternative Insurance Company	Commercial General Liability:		10/16/05 -
Policy # SDISSK9101579-1	General Aggregate	\$ 3,000,000	10/16/06
	Each Occurrence	1,000,000	
	Products/Completed Oper.	1,000,000	
	Personal & Advertising Injury	1,000,000	
	Fire Damage	1,000,000	
	Medical Expense	10,000	
American Alternative Insurance Company	Special Districts Insurance		10/16/05 -
Policy # SDISSK9101579-1	Program - Liability Coverage:		10/16/06
	Per Claim	\$ 1,000,000	
	Wrongful Acts Aggregate	3,000,000	
American Alternative Insurance Company	Commercial Property:		10/16/05 -
Policy # SDISSK9101579-1	Wells, Tanks, Pumping-Main		10/16/06
	Well Site	\$ 300,000	
	Building, 109 Ralph Dr	160,000	
	Personal Prop., 109 Ralph Dr	5,000	
	Tank, Pumping Equip., Booster		
	Station	50,000	
	Inland Marine Coverage	250,000	

The District does not carry workmen's compensation insurance or fire and extended coverage insurance. The District is of the opinion that the management contract with the Varnado Waterworks District indemnifies them against workmen's compensation claims through the contract manager's policies. See Footnote 11.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 3

**Schedule of Compensation Paid Board of Commissioners
December 31, 2005**

Board of Commissioners	Per Diem Payments	Term of Office
Melvin Martin, President 2675 S. Columbia Rd. Bogalusa, LA 70427 (985) 735-1504	\$ 150	12/31/04 to 02/06 (Deceased)
Howard Stewart, Secretary 11175 Pine Ridge Rd Bogalusa, LA 70427 (985) 735-6424	480	01/01/04 to 12/31/08
Leo Michenheim, Vice-President 18180 Wells Rd. Bogalusa, LA 70427 (985) 732-4888	440	Expires 12/31/07
Jim Willis, Commissioner 29081 LA Hwy 1074 Bogalusa, LA 70427 (985) 732-3040	400	01/01/02 to 12/31/06
Jean Slaughter, Commissioner 58438 Hwy 60 Bogalusa, LA 70427 (985) 735-1256	440	12/31/05 to 12/31/10
	<u>\$ 1,910</u>	

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 4

**Schedule of Water Customers
December 31, 2005**

As of December 31, 2005, the water district had the following number of customers.

Residential	1,351
Commercial	20
School	2
Total Customers	<u>1,373</u>
Commercial users having a meter larger than the	<u>7</u>

**Schedule of Water Rates
December 31, 2005**

<u>Usage</u>	<u>Monthly Charge</u>
Residential:	
First 2,000 gallons	\$11.00
Next 8,000 gallons	2.40/thousand gallons
Over 10,000 gallons	2.00/thousand gallons
Commercial:	
First 15,000 gallons	\$40.00
All over 15,000 gallons	2.00/thousand gallons

INDEPENDENT ACCOUNTANT'S REPORT

WILLIAM R. DURDEN

Certified Public Accountant

820 11TH AVENUE
FRANKLINTON, LOUISIANA 70438
(985)839-4413
FAX (985)839-4402

MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, LA

Gentlemen:

I have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Bogue Lusa Waterworks District, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the period ended December 31, 2005, included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representations regarding the sufficiency of the procedures described below neither for the purpose for which this report has been requested nor for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LAS-RS 38:2211-2251 (the public bid law).

The District did not have any purchases that exceed \$15,000 or public works exceeding \$100,000. The Commission complied with public bid law.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list of board members, their immediate family members, and their outside business interests. I scanned cash disbursements journals for any related party transactions, there were none that came to my attention.

3. The District does not have any employees.

Budgeting

4. Obtain a copy of the legally adopted original budget and all amendments.

Management provided me with copies of the original and amended budgets.

5. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the 2005 original and amended budgets to the District's minutes. The original budget was approved at the meeting of December 13, 2004, and the amended budget was adopted at the December 8, 2005 meeting.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

Actual revenues were under budget by 11.07%. This was due to the variance in Non-operating Revenue caused by the delay and uncertainty of FEMA reimbursements that were placed in the budget but not received until 2006. The Board monitors the budget/actual statement on a monthly basis and will amend the budget to align with actual revenues. The actual expenditures did not exceed budgeted amounts by more than 5%.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee:

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account;

The six payments I examined were coded to the correct general ledger accounts and proper fund.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting the six selected disbursements indicates approval to purchase from the Board of Commissioners.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1-12 (the open meetings law).

Bogue Lusa Waterworks District meets once a month, and therefore, places the notice of meeting in the local newspaper. The agenda for each meeting is placed on the door of the District's office two days prior to each meeting. Management has asserted that the agenda was properly posted. I examined copies of meeting notices containing date, time, place and business to be conducted, which are filed with the minutes of each meeting.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds or like indebtedness.

I inspected copies of all bank statements deposits for the 12-month period under examination and did not detect any deposits which appeared to be proceeds of bank loans, bonds or like indebtedness.

Advances and Bonuses

11. Examine records and minutes for the year to determine whether any payments have been made to board member, which may constitute bonuses, advances, or gifts.

I scanned cash disbursement records and minutes for evidence of any payments which may constitute bonuses, advances, or gifts to Board members, none were noted.

I was not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the Bogue Lusa Waterworks District, the Legislative Auditor, State of Louisiana and the Washington Parish Government and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.



William R. Durden
Certified Public Accountant

June 22, 2006

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)**

DECEMBER 31, 2005

(Date Transmitted)

Bogue Lusa Water Works District

William R Durden CPA LLC (Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes ☒ No ☐

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes ☒ No ☐

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes ☒ No ☐

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [☒] No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [☒] No []

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes [☒] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [☒] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [☒] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [☒] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

<u>Mary J. Adams</u>	Secretary	<u>6/</u>	Date
<u>[Signature]</u>	Treasurer		Date
<u>J. Howard Stewart</u>	President		Date